

**ITEM 6 STATEMENT OF INVESTMENT - SEPTEMBER 2023**

This report provides an overview of Council's investment portfolio performance for the reporting period September 2023.

Council had an average weighted return for September 2023 of 0.22% which was below the benchmark return of 0.34%. This result was due to the negative valuations of the consolidated Floating Rate Notes and the negative valuations on NSW TCorp investments. The performance was also impacted by some of the long-term deposits being purchased at comparatively lower rates during the covid period. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

**RECOMMENDATION**

Council receive the Statement of Investment for September 2023.

**REPORT AUTHORISATIONS**

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

**ATTACHMENTS**

- 1 Statement of Investment - September 2023
- 2 Investment Income Compared to Budget 2023-2024

**BACKGROUND**

Council is mandated to invest surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. In compliance with the Order and Office of Local Government guidelines, Council adopted an Investment Policy on 12 December 2022. The Investment Policy provides a framework for Council to manage investment credit quality, institutional diversification and maturity constraints. Council's investment portfolio was controlled by Council's Finance Division during the period to ensure compliance with the Investment Policy. Council's Audit, Risk and Improvement Committee (ARIC) provides oversight of the review of Council's Investment Policy and the Management Investment Strategy.

Council's Responsible Accounting Officer is required to sign the complying Statement of Investment contained within the report, certifying that all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

Council's investment holdings at 29 September 2023 were \$192,940,521 (Statement of Investment attached) [30 September 2022 \$148,265,942] and include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2023.

Council had an average weighted return for September 2023 of 0.22% which was below the benchmark return of 0.34%. This result was due to the negative valuations of the consolidated Floating Rate Notes and the negative valuations on NSW TCorp investments. The performance was also impacted by some of the long-term deposits being purchased at comparatively lower rates during the covid period. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing high levels of instability and the heightened volatility in interest rates, driven by the persistent ongoing inflation issues, is providing levels uncertainty in rates of return for the foreseeable future.

At 29 September 2023, year to date interest and investment revenue of \$1,745,087 was recognised compared to the year to date budget of \$1,240,847.

Council's 22 floating rate notes had a net decrease in value of \$135,256 for September 2023.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$11,178 for September 2023. The market value of this security takes into account the extended term of the security along with the limited liquidity and the coupon margin reflects pre-Global Financial Crisis (GFC) pricing. While the maturity dates are outside Council's control, the investment advisors had previously

indicated capital is not at risk at that stage and recommended a hold strategy due to the illiquid nature of the investment.

Council holds two investments within the NSW TCorp Hour Glass Facility; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth recorded a net decrease in value of \$86,196 and the Medium-Term Growth Fund recorded a net decrease in value of \$54,738 in September 2023. The fluctuations in both the Long-Term Growth and Medium-Term Growth Funds are a reflection of the current share market volatility both domestically and internationally and is diversified across a number of different asset classes that have differing risk and return characteristics.

At their October 2023 meeting, the Reserve Bank of Australia (RBA) decided to hold the official cash rate at 4.10%. The RBA remains resolute in its determination to return inflation to target of 2–3% and continues to monitor uncertainties regarding the global economy, adjust policy as determined by the RBA and determine the timing and extent of future interest rate increases.

The current Investment Policy sets a 40% maximum exposure limit to individual institutions within the AAA category. This limit is currently considered to include funds held within the Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. Through the banking services contract with the CBA, that includes a fixed margin over the current cash rate, Council's savings account provides a higher return than alternate short- to medium-term investments available to Council. At the end of September 2023, the exposure to CBA was 26.10%, which is marginally above the 25% target set in the Investment Strategy.

The current investment portfolio complies with Council's Investment Policy which was endorsed by Council on 12 December 2022. Council's Responsible Accounting Officer has signed the Statement of Investment contained within the report, certifying all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

## PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong Our Future 2032 Goal 4 "We are a connected and engaged community". It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026	
Strategy		Service	
4.8	Council's resources are managed effectively to ensure long term financial sustainability.	Financial Services	

## CONCLUSION

The investments for September 2023 recorded an average weighted return that was below the AusBondBank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.

\* The maturity date provided is the weighted-average life of the security. This is the average amount of time that will elapse from the date of security's issuance until each dollar is repaid based on an actuarial assessment. Assessments are carried out on a regular basis which can potentially extend the life of the investment. Current assessments anticipate an extension of life of the investment.

This is to certify that all of the above investments have been placed in accordance with the Act, the regulations and Council's Investment Policies.

Brian Jenkins  
RESPONSIBLE ACCOUNTING OFFICER

